

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGRE-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

AF-08 EA-07 EUR-12 NEA-10 IO-13 /136 W

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 3447

CONFIDENTIAL GEORGETOWN 1912

E.O. 11652: GDS

TAGS: ETRD, EAGR, GY

SUBJECT: SUGAR SITUATION- GUYANA

REF: (A) STATE 234057, (B) STATE 233477. (C) STATE 234812

SUMMARY: GUYANA'S SUGAR HARVEST IS LARGER THAN LAST YEAR'S EQUIVALENT TIME PERIOD YIELD. THE QUESTION IS WHAT IS GUYANA GOING TO DO WITH HER SUGAR? MAJOR CONCERN IS BEING EXPRESSED ABOUT THE U.S. MARKET PARTICULARLY SINCE THE U.S. HAS INCREASED THE IMPORT TARIFF ON SUGAR. IF GUYANA MUST TURN TO NEW MARKETS, THE SINO-SOVIET BLOC WOULD APPEAR TO BE THE OBVIOUS DIRECTION. END SUMMARY.

1. PRODUCTION: RECENT DATA PUBLISHED BY THE GUYANA SUGAR PRODUCER'S

ASSOCIATION INDICATE THAT WHILE PRODUCTION OF SUGAR HAS INCREASED THIS

YEAR AS COMPARED TO THE EQUIVALENT TIME PERIOD LAST YEAR, IT IS GOING TO BE DIFFICULT FOR GUYANA TO MEET ITS 1976 PRODUCTION GOAL OF 368,000 TONS. THIS YEAR'S SUGAR PRODUCTION AS OF SEPTEMBER 10, 1976 TOTALLED 174,785 TONS AS COMPARED TO 167,027 TONS FOR THE CORRESPONDING PERIOD LAST YEAR. AN ARTICLE ON SEPTEMBER 21, 1976

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IN THE "GUYANA CHRONICLE" (THE MAJOR NEWSPAPER) PUT PRODUCTION FOR

"LAST WEEK" (PRESUMABLY WEEK ENDING SEPTEMBER 17) AT 11,300 TONS OR 1,300 TONS BELOW THE WEEK'S PRODUCTION TARGET.

2. TRADE: A MAJOR CONCERN IS WHAT TO DO WITH THE SUGAR CROP AFTER IS HARVESTED, PARTICULARLY NOW THAT THE U.S. HAS TRIPLED ITS IMPORT TARIFF ON SUGAR. THE FOLLOWING ISSUES HAVE BEEN MAJOR TOPICS IN TWO LOCAL NEWSPAPERS (THE "GUYANA CHRONICLE" AND "THE CITIZEN") SINCE THE U.S. ANNOUNCED A SUGAR TARIFF INCREASE:

A. THE NEWSPAPERS SEE THE U.S. TARIFF INCREASE AS A PROBLEM FOR THE ENTIRE CARICOM, AND NOT JUST GUYANA;

B. WHILE ARTICLES HAVE NOT INCLUDED SUBSTANTIVE DATA, IT IS ARGUED THAT IT IS THE SUGAR EXPORTING COUNTRIES WHO SUFFER AS A RESULT OF THE RECENT U.S. IMPORT POLICY CHANGE;

C. CONCERN IS BEING EXPRESSED THAT SUGAR WILL BE REMOVED FROM THE GSP LIST;

D. IT IS REITERATED THAT THE REASON FOR THE INCREASED IMPORT DUTY IS TO PROTECT THE U.S. DOMESTIC SUGAR PRODUCERS WHO ARE NOT ABLE TO OPERATE "PROFITABLY" AT CURRENT PRICES;

E. IT IS INDICATED THAT IF THE U.S. WILL NOT REDUCE THE IMPORT DUTY, THEN ALTERNATE MARKET SOURCES WOULD HAVE TO BE SOUGHT.

3. COMMENT: GUYANESE OFFICIALS APPEAR HESITANT ABOUT PARTICIPATORY CONTRACTS AND OTHER LONG-RANGE TERM AGREEMENTS (EXCLUDING A U.S. GOVT PRICE SUPPORTED SUGAR TRADE AGREEMENT). TENDING TO VIEW SUCH PRODUCER/REFINER CONTRACTS AS UNFAVORABLE TO THE PRODUCER AND DISRUPTIVE TO TRADITIONAL TRADING PATTERNS. NOW WITH FURTHER UNCERTAINTIES BEING GENERATED BY THE RECENT U.S. IMPORT TARIFF INCREASE, THE GOVT WILL PROBABLY SERIOUSLY RE-ASSESS ITS EXPORT MARKETS. INCREASED U.S. IMPORT DUTIES COULD MAKE IT BENEFICIAL FOR GUYANA TO DECREASE SUGAR EXPORTS TO THE U.S. TO GSP MAXIMUM LEVELS, PROVIDING OTHER EXPORT MARKETS ARE EXPANDED. THE EEC IS ALREADY COMMITTED FOR APPROXIMATELY 170,000 TONS. THE DOMESTIC/CARIBBEAN MARKET CAN BE EXPECTED TO ABSORB 35,000 TONS. THERE APPEARS TO BE LITTLE EXPECTATION FOR INCREASED SALES TO AFRICA OR OTHER LATIN AMERICAN COUNTRIES. IT WOULD APPEAR THAT THE ONLY MAJOR MARKET STILL OPEN FOR CONSIDERATION WOULD BE CONFIDENTIAL

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THE SINO-SOVIET BLOC. GUYANESE OFFICIALS HINT THAT THE PRC CAN BE EXPECTED TO BUY 30,000-50,000 TONS OF SUGAR THIS YEAR. THE EAST GERMANS WILL PROBABLY TAKE 20,000 TONS. WITH A TEN-MAN SOVIET ECONOMIC COMMISSION NOW VISITING GUYANA, THERE SHOULD BE SOME INDICATIONS SOON AS TO WHETHER RUSSIA INTENDS TO PURCHASE SUGAR (REPORTEDLY 65,000 TONS) THIS YEAR. (LAST YEAR, GUYANA EXPORTED 20,000 TONS OF SUGAR TO THE SOVIET UNION.)

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